



Los Angeles Grand Avenue Authority



Board of Directors

Hon. Gloria Molina, Chair
Hon. Jan Perry, Vice Chair
William T Fujioka, Secretary
Cecilia V. Estolano
Dale Bonner, Ex Officio

JULY 28, 2008 MINUTES

The twenty-fifth meeting of the Los Angeles Grand Avenue Authority was held July 28, 2008, at the Kenneth Hahn Hall of Administration, Room 374-A, 500 West Temple Street, Los Angeles, CA.

CALL TO ORDER

Chairperson Gloria Molina called the meeting to order at 10:04 a.m. The following Directors were present constituting a quorum of the Authority:

Gloria Molina, First District Supervisor, County of Los Angeles
William T. Fujioka, Chief Executive Officer, County of Los Angeles
Jan Perry, Ninth District Councilmember, City of Los Angeles
Cecilia V. Estolano, Chief Executive Officer, Community Redevelopment Agency
Dale Bonner, Ex-Officio

APPROVAL OF THE JUNE 9, 2008 MINUTES

On motion of Director Perry, seconded by Director Fujioka and unanimously carried, the Authority approved the June 9, 2008, minutes as submitted.

NOTICE OF CLOSED SESSION: CONFERENCE WITH REAL PROPERTY NEGOTIATORS PURSUANT TO GOVERNMENT CODE SECTION 54956.8 PROPERTY: Parcels Q, W-2, L and M-2 of the Bunker Hill Urban Renewal Project Area and the Park Parcel
JPA Real Property Negotiator: Grand Avenue Committee, Inc., Nelson Rising, Eli Broad, Antonia Hernandez, Gerry Hertzberg, David Riccitiello, John Edmisten, Dawn McDivitt, Greg Fischer, Martha Welborne, Paul Rutter, Diane Hvolka, Thomas Webber, Richard Volpert Negotiating Parties: Grand Avenue L.A., LLC Under Negotiation: Price and Terms

Chair Molina referenced the above Notice of Closed Session and stated that she did not think a Closed Session would be needed.

GRAND AVENUE PROJECT STATUS REPORT

Nelson Rising, Chair, Grand Avenue Committee, reported that the State has awarded \$27 million to the Civic Park from Proposition 1-C funding. To date, the total budget to be utilized for the design and construction of the Civic Park is approximately \$83 million.

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DEVELOPER'S REQUEST FOR REVISIONS TO THE PHASE I SCHEDULE OF PERFORMANCE FOR PARCEL Q, INCLUDING REQUEST TO OBTAIN VARIOUS CONSTRUCTION PERMITS PRIOR TO THE COMPLETION OF FINAL CONSTRUCTION DRAWINGS AND RELATED PROJECT SCHEDULE MATTERS

Mr. Rising then proceeded with Item 5 of the agenda, noting that at the prior Authority meeting, the Board approved a two-month delay to the start of construction and requested that the Committee meet with the Developer to outline a long-term plan that would be acceptable to the JPA. Mr. Rising reminded the Board that a number of conditions must be met by the Developer prior to the start of construction. First, 80% final construction documents must be completed, next a guaranteed price from the contractor must be agreed to, then construction financing can be obtained. He noted that, while the Developer has requested an extension, they are diligently working toward implementing the project. As of April 30th, the Developer had spent \$102 million on project activities. To complete the 80% final construction documents, the Developer estimates that they will spend an additional \$30 million.

Mr. Rising stated that after many meetings with Related, the Committee is prepared today to present a proposal that he feels is in the best interests of the JPA. First of all, to assure continued progress on completing construction documents, the Developer must submit 50% final construction documents by September 8, 2008, and they must submit the 80% documents by December 15, 2008.

In addition, the Committee proposes that an extension to the start of construction be granted from August 15, 2008 to February 15, 2009. To further reassure the Authority that the Developer is making progress, the Developer will put up a Letter of Credit for the benefit of the Authority of \$30 million which can be reduced on a monthly basis as the Developer documents to the Committee that payments are being made to cover project activities. Because \$7.5 million has already been spent since April 30th, once the Committee has reviewed documentation of the \$7.5 million in expenses, the Letter of Credit amount can be set at \$22.5.

Because the Authority Board has requested that the Developer not come back to them on a frequent basis requesting extensions, Mr. Rising said that the Committee has negotiated with Related that further extensions to the start of construction past the February 15, 2009 date should be granted up to an additional 24 months, provided that the Developer pay \$250,000 to the Authority for each month of extension. Mr. Rising stated that his expectation is that with \$130 million spent by the time the 80% documents are complete, the Developer has every incentive to move forward with construction as soon as they can successfully attain construction financing in this difficult economic time.

Further, he stated that the Committee assured the Developer that if an extension is required beyond 24 months, every effort will be made to reconsider the request, provided the Developer shows that comparable projects from around the country of 500,000 square feet or larger are having equal difficulty in obtaining construction financing.

The proposal also includes a waiver for the Authority by the Developer on all claims on any action taken prior to this extension. In addition, the Developer has agreed to pay the costs of consultants to the Committee for changes in schedule or terms that the Developer

requests, and the Developer has agreed that any extensions in construction of the development project will not cause delays in the design and construction of the Civic Park.

Mr. Rising concluded that the Committee recommends approval of this extension as documented in the Consent Letter.

Chair Molina noted that current bank credit approvals are more difficult to obtain, and is pleased that Related has been able to proceed with the project. Vice Chair Perry suggested that funding for affordable housing to benefit the community is an important component in the construction of the project. 20% of all 2,600 units slated for construction would be affordable housing, subject to the Community Redevelopment Agency of Los Angeles (CRA/LA) providing a subsidy of \$100,000 to the Developer for every unit of affordable rental housing produced. The source of this funding is the tax increment generated by the Project that the CRA/LA receives. Given the delays of the Project, the ability of the CRA/LA to provide the funding needed for subsequent phases of the Project is seriously compromised.

Therefore, Vice Chair Perry stated that she was willing to make a motion for approval of the schedule changes provided that the first priority for the extension fees is support for affordable housing. Further, that the extension fees collected be deposited into an interest-bearing trust account and that the Authority members be provided quarterly reports on the available balance in the account, including accrued interest until fully disbursed for the production of affordable housing. This motion was seconded by Director Estolano. Chair Molina noted that she would like analysis to be done of the tax increment in order to determine if there will be sufficient tax increment to be generated to cover the affordable housing obligation. She offered this as a friendly amendment to the motion. The amendment was accepted.

Director Bonner advised that the State is committed to the Project and intends to be involved in all of the Project's phases.

Following discussion, on motion of Director Perry, seconded by Director Estolano, amended by Chair Molina, and unanimously carried, the Authority approved the request by the Developer for revisions to the Phase I Schedule of Performance for Parcel Q, including the request to obtain various construction permits prior to the completion of final construction drawings and related project schedule matters.

DEVELOPER'S REQUEST TO ASSIGN THE RIGHTS AND OBLIGATIONS OF THE CIVIC PARK DESIGN AGREEMENT FROM THE RELATED COMPANIES, L.P. TO AN AFFILIATE OF THE DEVELOPER, "GRAND AVENUE PARK DEVELOPMENT, LLC"

Martha Welborne, Managing Director of the Grand Avenue Committee, stated that Related has requested that the Authority consent to assign the rights and obligations of the Civic Park Design Agreement to an affiliate of Related, which they have created solely for this purpose, called: Grand Avenue Park Development, LLC ("GAPD"). She stated that Section 10.3 of the Civic Park Design Agreement states that the Authority will not unreasonably withhold its approval of an assignment from Related to an affiliate of Related provided that certain conditions are met, namely:

1. the affiliate must have "adequate net worth and liquidity" to perform the financial obligations of Related under the Park Design Agreement, and

2. the key personnel of Related assigned to work on the park must continue working on the park

She stated that the Grand Avenue Committee and its consultants have reviewed the formation documents for GAPD and can confirm that both of these conditions are met. She further stated that this request is largely an organizational matter that will allow Related to track and report their costs and revenues separately from the parent company. She concluded by saying that the Committee recommends that the Authority consent to this assignment.

The Grand Avenue Authority approved the Amendment by acclamation.

DEVELOPER'S REQUEST FOR AN ADDITIONAL 120 DAYS TO FINALIZE RESTRUCTURING DOCUMENTS WITH MANDARIN ORIENTAL (LOS ANGELES), INC.

Martha Welborne reported that the Developer, after approval by the Authority Board on March 17, 2008, to restructure their partnership, did so within 60 days, except for the finalization of documents with The Mandarin Oriental Hotel, which was to have been completed within 120 days. The initial 120-day time frame expired on July 17, 2008. The Developer has requested an additional 120 days, until November 17, 2008, to complete their documents with Mandarin.

The Related Company has noted the complexity of the negotiations, which involves multiple legal agreements, is the reason for their request. The Grand Avenue Committee believes the request is fair and recommends approval by the Authority.

Following discussion, on motion of Director Perry, seconded by Director Fujioka and unanimously carried, the Request for a 120-day Extension was approved.

DISCUSSION OF FUTURE AGENDA ITEMS, DATE OF NEXT MEETING

Martha Welborne advised that the next regular Grand Avenue Authority meeting is scheduled tentatively for Monday, August 25, 2008. Future agenda items include the Park Budget, Park Schedule and the Park Business Plan.

PUBLIC COMMENT

Daniel Swartz, Downtown BID, commented that he was impressed with the development projects in downtown LA. He has had development experience in remodeling projects for 20 years. He supports The Related Company's efforts on the project and thanked the Authority for sustaining their relationship with them. He said it is unfortunate that the project has been slowed down, but he supports this extension.

Veronica Perez-Becker, Vice President, Central City Association, stated that she proudly supports the development and supports the schedule adjustment of the Grand Avenue Project which she described as "historic". Also, Phase I should bring in 2,500 new jobs, and Phases II and III will bring an additional 2,800 jobs. The Central City Association believes the right developer has been chosen for the right project.

Brady Westwater, Resident, Downtown Neighborhood Council, noted that past development projects have taken much longer than the Grand Avenue Project, which he calls the fastest moving private development project in the area of construction. As examples, he mentioned that the Music Center and Disney Concert Hall required over 10 years to obtain their respective project funding. The developer has had to overcome many obstacles to complete this Project, and he recommends continued Authority support.

Patti Berman, Vice President, Downtown Los Angeles Neighborhood Council (DLANC), favors the developer's request for an extension. DLANC believes the project is in the best interest of downtown Los Angeles. As the Parks and Recreation Chair she noted their work on the Civic Park is extremely important, and the Authority should not allow the Project to be disrupted because of the economic downturn. She is in favor of this extension.

Russell Brown, President, Downtown Los Angeles Neighborhood Council (DLANC), stated that all the groups he has been involved with enthusiastically support the project. The DLANC has been involved in the design of the park, and The Related Company has been very cooperative with every community's input on the design of the Civic Park and the whole development project. He said it is not unusual that large projects take time to complete. He feels this project will make a world-class downtown.

Paul Novak, Deputy, Fifth District, provided the following suggestions by Supervisor Antonovich regarding the Grand Avenue Project:

- Protect the interests of the County and City taxpayers;
- Guard the values of publicly-owned real estate by maximizing the return to the Citizens of the County and the City; and
- Ensure that construction on the parcels is compatible with future downtown Los Angeles redevelopment.

Additionally, Mr. Novak commented that in the view of Supervisor Antonovich's office, the Related Company has not completed their partnership documents with the Mandarin within the required 120 days. They have requested too many delays and are now asking for a fourth extension. Supervisor Antonovich recommends that the Committee take no action on the retroactively extended deadline requested by The Related Company. The 31-page extension document makes significant changes to prior agreements that were approved by the County and CRA/LA, and action should be deferred to a future meeting.

Richard Slawson, Executive Secretary, LA and Orange County Building Construction Trades Council, expressed his support for the extension proposal. The Related Company has made every effort possible to see this project through. They have partnered with The Related Company to create jobs, outreach, and apprenticeships to stimulate employment in downtown Los Angeles. An additional 5000 new permanent jobs is vital to the City of Los Angeles and the State of California.

ADJOURNMENT

There being no further business, Chair Molina adjourned the meeting at 10:50 a.m.